COVER SHEET

CN 2 0 0 4 0 9 4 5 9

S.E.C. Registration Number

ASA PHILIPPINES FOUNDATION, INC.

(Company's Full Name)

UNIT - 509 PRESTIGE TOWER
F. ORTIGAS JR. RD. ORTIGAS CENTER
PASIG CITY

(Business Address : No. Street City / Town / Province)

FERDINAND U. JIKIRI
Contact Person

(+632) 687 7558
Company Telephone Number

1 2 | 3 1
Month *Day*
Fiscal Year

FS
FORM TYPE

0 5
Month *Day*
Annual Meeting

Secondary License Type, If Applicable

S E C
Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic | Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ASA Philippines Foundation, Inc.** is responsible for the preparation and fair presentation of the financial statements for the year ended December 31, 2013 (including comparatives as of December 31, 2012 and corresponding figures as of January 1, 2012) in accordance with Philippine Financial Reporting Standards, including the Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2013 filed separately from the basic financial statements. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Trustees reviews and approves the financial statements and submits the same to the members.

Punongbayan & Araullo, the independent auditors appointed by the members, has examined the financial statements of the Foundation in accordance with Philippine Standards on Auditing and, and in its report to the Board of Trustees and members, has expressed its opinion on the fairness of presentation upon completion of such examination.

KAMRUL H. TARAFDER
President

FLORINDA M. LACANLALAY
Treasurer

EDWARD S. GO
Chairman

BUREAU OF INTERNAL REVENUE
RDO NO. 043A
RECEIVED
4/8/14
BY: CORAZON OLEVARDO

Punongbayan & Araullo

An instinct for growth™

Financial Statements and Independent Auditors' Report

ASA Philippines Foundation, Inc.

December 31, 2013 and 2012
(With Corresponding Figures as of January 1, 2012)

Punongbayan & Araullo

An instinct for growth™

Report of Independent Auditors

19th and 20th Floors, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288
F +63 2 886 5506
www.punongbayan-araullo.com

The Board of Trustees
ASA Philippines Foundation, Inc.
(A Nonstock, Nonprofit Organization)
Unit 509 Prestige Tower, F. Ortigas Jr. Street
Ortigas Center, Pasig City

Report on the Financial Statements

We have audited the accompanying financial statements of ASA Philippines Foundation, Inc., which comprise the statements of assets, liabilities and fund balance as at December 31, 2013 and 2012, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

BUREAU OF INTERNAL REVENUE
RDO NO. 043A
RECEIVED
4/8/14
BY: CORAZON S. LEVARDO

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the assets, liabilities and fund balance of ASA Philippines Foundation, Inc. as of December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2013 required by the Bureau of Internal Revenue as disclosed in Note 20 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 4225008, January 2, 2014, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-1 (until Aug. 21, 2016)
Firm - No. 0002-FR-3 (until Jan. 18, 2015)
BIR AN 08-002511-32-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

March 19, 2014

BUREAU OF INTERNAL REVENUE
RDO NO. 043A
EAST PASIG CITY
RECEIVED
4/8/14
BY: CORAZON S. ALVARDO

ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE
DECEMBER 31, 2013 AND 2012
(With Corresponding Figures as of January 1, 2012)
(Amounts in Philippine Pesos)

	Notes	December 31, 2013	December 31, 2012 (As Restated – see Note 2)	January 1, 2012 (As Restated – see Note 2)
A S S E T S				
CASH AND CASH EQUIVALENTS	5	P 460,527,318	P 205,997,611	P 158,937,607
LOANS RECEIVABLE - Net	6	2,480,867,727	1,875,956,365	1,217,792,816
OTHER RECEIVABLES	6	58,379,319	45,735,344	44,121,342
PROPERTY AND EQUIPMENT - Net	7	37,176,600	35,015,100	26,700,000
RENTAL DEPOSITS	18	8,832,354	6,404,589	4,455,006
TOTAL ASSETS		P 3,045,783,318	P 2,169,109,009	P 1,452,006,771
LIABILITIES AND FUND BALANCE				
LOANS PAYABLE	9	P 298,500,000	P 227,297,950	P 188,297,950
CAPITAL BUILD-UP AND LOCKED IN CAPITAL BUILD-UP	8	1,635,005,080	1,202,239,770	769,543,370
POST-EMPLOYMENT DEFINED BENEFIT OLBIGATION	15	85,318,000	52,933,000	26,096,000
OTHER LIABILITIES	10	518,648,314	278,128,173	168,528,975
TOTAL LIABILITIES		2,537,471,394	1,760,598,893	1,152,466,295
FUND BALANCE		508,311,924	408,510,116	299,540,476
TOTAL LIABILITIES AND FUND BALANCE		P 3,045,783,318	P 2,169,109,009	P 1,452,006,771

See Notes to Financial Statements.

ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Amounts in Philippine Pesos)

I.C.T.D. S
ELECTRONIC RECORDS AND MANAGEMENT DIVISION
11 APR 11 2014 E C
BY
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

	Notes	2013	2012 (As Restated – see Note 2)
REVENUES			
Service fees	6	P 1,259,930,261	P 994,323,876
Other revenues	11	7,990,150	8,852,724
		1,267,920,411	1,003,176,600
OPERATING EXPENSES			
Project costs	13	827,297,991	771,844,553
General and administrative expenses	14	334,905,612	119,609,407
	12	1,162,203,603	891,453,960
EXCESS OF REVENUES OVER EXPENSES		105,716,808	111,722,640
OTHER COMPREHENSIVE LOSS			
Item that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment defined benefit plan	15	(5,915,000)	(2,753,000)
TOTAL COMPREHENSIVE INCOME		P 99,801,808	P 108,969,640

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
RDO NO. 043A
RECEIVED
4/8/14
BY: CORAZON S. LEVARDO

ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Amounts in Philippine Pesos)

	Notes	2013	2012 (As Restated – see Note 2)
GRANTS AND CONTRIBUTIONS		**P 41,360,000**	P 41,360,000
CUMULATIVE RESULTS OF OPERATIONS			
Balance at beginning of year			
As previously reported		**351,270,116**	239,076,476
Effect of adoption of PAS 19	2	**(471,000)**	-
As restated		**350,799,116**	239,076,476
Excess of revenues over expenses		**105,716,808**	111,722,640
Balance at end of year		**456,515,924**	350,799,116
REMEASUREMENT OF POST-EMPLOYMENT DEFINED DEFINED BENEFIT PLAN			
Balance at beginning of year			
As previously reported		-	-
Effect of adoption of PAS 19	2	**16,351,000**	19,104,000
As restated		**16,351,000**	19,104,000
Other comprehensive loss	15	**(5,915,000)**	(2,753,000)
Balance at end of year		**10,436,000**	16,351,000
TOTAL FUND BALANCE		**P 508,311,924**	P 408,510,116

See Notes to Financial Statements.

ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Amounts in Philippine Pesos)

	Notes	2013	2012 (As Restated – see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over expenses		P 105,716,808	P 111,722,640
Adjustments for:			
Depreciation and amortization	7	17,826,327	12,324,862
Finance costs	9, 13	14,095,045	16,186,345
Interest income	5	(1,281,358)	(3,632,026)
Impairment loss	6	-	132,566,990
Excess of revenues over expenses before working capital changes		136,356,822	269,168,811
Increase in loans receivable		(604,655,090)	(790,004,134)
Increase in other receivables		(12,643,975)	(1,614,002)
Increase in rental deposits		(2,427,765)	(1,949,583)
Increase in capital build-up and locked in capital build-up		432,765,310	432,696,400
Increase in post-emloyment defined benefit obligation		23,495,167	22,442,596
Increase in other liabilities		240,520,141	109,599,198
Cash generated from operations		213,410,610	40,339,286
Interest received		1,281,358	3,632,026
Cash paid for final taxes		(256,272)	(726,405)
Net Cash From Operating Activities		214,435,696	43,244,907
CASH FLOWS FROM INVESTING ACTIVITY			
Acquisitions of property and equipment	7	(19,987,827)	(20,639,962)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan availments		260,500,000	106,000,000
Payments of loans		(189,297,950)	(67,000,000)
Interest paid		(11,120,212)	(14,544,941)
Net Cash From Financing Activities		60,081,838	24,455,059
NET INCREASE IN CASH AND CASH EQUIVALENTS		254,529,707	47,060,004
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		205,997,611	158,937,607
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 460,527,318	P 205,997,611

See Notes to Financial Statements.

ASA PHILIPPINES FOUNDATION, INC.
(A Nonstock, Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Foundation Information

ASA Philippines Foundation, Inc. (the Foundation or ASA) was incorporated as a nonstock, nonprofit organization and registered with the Philippine Securities and Exchange Commission on July 9, 2004 with Registration Certificate No. CN 2004-09459. As a non-stock, non-profit organization, the Foundation aims to: (a) provide efficient and affordable financial services to the poor for their income-generating activities; (b) build an effective and efficient microfinance institution for sustainable delivery of microfinance services to the entrepreneurial poor; and, (c) facilitate the convergence and provision of other social services for the poor.

The ASA Program provides:

(a) Microfinance services to qualified poor, low-income women engaged in micro and small scale enterprises;

(b) Financial and other forms of assistance to its members in case of sickness, death and calamities and college scholarship for deserving children of members, as part of social services to the poor; and,

(c) Business development services for the members to improve efficiency and effectiveness in enterprise management.

As of December 31, 2013, the Foundation has 510 branches operating in various locations within Metro Manila and provincial areas.

The Foundation's registered office, which is also its principal place of business, is located at Unit 509 Prestige Tower, F. Ortigas Jr. Street, Ortigas Center, Pasig City.

1.2 Approval of Financial Statements

The financial statements of the Foundation for the year ended December 31, 2013 (including the comparative financial statements for December 31, 2012 and the corresponding figures as of January 1, 2012) were authorized for issue by the Foundation's Board of Trustees (BOT) on March 19, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. The policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Foundation have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council from the pronouncements issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared using the measurement bases specified by PFRS for each type of assets, liabilities, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements.* The Foundation presents all items of income and expenses in a single statement of comprehensive income.

The Foundation presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

The Foundation's adoption of PAS 19 (Revised), *Employee Benefits*, resulted in material retrospective restatements on certain accounts in the comparative financial statements for December 31, 2012 and in the corresponding figures as of January 1, 2012 [see Note 2.2(a)(ii)]. Accordingly, the Foundation presents a third statement of financial position as of January 1, 2012 without the related notes, except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Foundation's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Foundation are measured using its functional currency. Functional currency is the primary economic environment in which the Foundation operates.

2.2 Adoption of New and Amended PFRS

(a) *Effective in 2013 that is Relevant to the Foundation*

In 2013, the Foundation adopted for the first time the following new PFRS, revisions and amendments that are relevant to the Foundation and effective for financial statements for the annual period beginning on or after July 1, 2012 or January 1, 2013:

PAS 1 (Amendment)	:	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
PAS 19 (Revised)	:	Employee Benefits
PFRS 7 (Amendment)	:	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
PFRS 13	:	Fair Value Measurement
Annual Improvements	:	Annual Improvements to PFRS (2009-2011 Cycle)

Discussed below are the relevant information about these new, revised and amended standards.

(i) PAS 1 (Amendment), *Financial Statements Presentation – Presentation of Items of Other Comprehensive Income* (effective from July 1, 2012). The amendment requires an entity to group items presented in other comprehensive income into those that, in accordance with other PFRS: (a) will not be reclassified subsequently to profit or loss, and, (b) will be reclassified subsequently to profit or loss when specific conditions are met. The Foundation's other comprehensive income item relates only to the effect of the remeasurement of defined benefit post-employment obligation which will not be reclassified subsequently to profit or loss as presented in the other comprehensive income section of the statements of comprehensive income. In compliance with this amendment, the same presentation is applied to the comparative year presented.

(ii) PAS 19 (Revised 2011), *Employee Benefits* (effective from January 1, 2013). This revised standard made a number of changes to the accounting for employee benefits. The most significant changes relate to defined benefit plans as follows:

- eliminates the corridor approach and requires the recognition of remeasurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;

- changes the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit liability or asset; and,

- enhances disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

The Foundation has applied PAS 19 (Revised) retrospectively in accordance with its transitional provisions. Consequently, it restated the comparative financial statements for December 31, 2012 and the corresponding figures as of January 1, 2012. The effect of the restatement on the affected assets, liabilities, and fund balance components are shown below.

	December 31, 2012		
	As Previously Reported	Effect of Adoption of PAS 19	As Restated
Change in liability -			
Post-employment defined benefit obligation	P 68,813,000	(P 15,880,000)	P 52,933,000
Increase in fund balance		(P 15,880,000)	
Changes in components of fund balance:			
Remeasurement of post-employment defined benefit plan	P -	P 16,351,000	P 16,351,000
Cumulative results of operations	351,270,116	(471,000)	350,799,116
Increase in fund balance		P 15,880,000	

	Janaury 1, 2012		
	As Previously Reported	Effect of Adoption of PAS 19	As Restated
Change in liability -			
Post-employment defined benefit obligation	P 45,200,000	(P 19,104,000)	P 26,096,000
Increase in fund balance		(P 19,104,000)	
Change in component of fund balance:			
Remeasurement of post-employment defined benefit plan	P -	P 19,104,000	P 19,104,000
Decrease in fund balance		P 19,104,000	

The effects of the adoption of PAS 19(Revised) on the statement of comprehensive income for the year ended December 31, 2012 on the next page.

	As Previously Reported	Effect of Adoption of PAS 19	As Restated
Changes in profit or loss-			
Project costs			
Employee benefits	(P 355,611,885)	P 1,170,404	(P 354,441,481)
Finance costs	(14,544,941)	(1,641,404)	(16,186,345)
Net increase in excess of revenues over expenses		(P 471,000)	
Change in other comprehensive income:			
Remeasurement of post-employment defined benefit plan	P -	(P 2,753,000)	(P 2,753,000)

The adoption of PAS 19 (Revised) did not have a material impact on the Foundation's statement of cash flows for the year ended December 31, 2012.

(iii) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting of Financial Assets and Financial Liabilities* (effective from January 1, 2013). The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation.* The amendment also requires disclosure of information about recognized financial instruments which are subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32 and amounts related to a financial collateral. These disclosures allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the entity's statement of financial position. The details and outstanding balances of financial assets and financial liabilities that are subject to offsetting, enforceable master netting agreements and similar arrangements are disclosed in Note 4.4.

(iv) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This new standard clarifies the definition of fair value and provides guidance and enhances disclosures about fair value measurements. The requirements under this standard do not extend the use of fair value accounting but provide guidance on how it should be applied to both financial instrument items and non-financial items for which other PFRS require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances. The amendment applies prospectively from annual period beginning January 1, 2013, hence, disclosure requirements need not be presented in the comparative information in the first year of application. Other than addition the disclosures presented in Note 4.3, the application of this new standard had no significant impact on the amounts recognized in the financial statements.

(v) 2009-2011 Annual Improvements to PFRS. Annual improvements to PFRS (2009-2011 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Foundation:

(a) PAS 1 (Amendment), *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information.* The amendment clarifies that a statement of financial position as at the beginning of the preceding period (third statement of financial position) is required when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the third statement of financial position. The amendment specifies that other than disclosure of certain specified information in accordance with PAS 8, related notes to the third statement of financial position are not required to be presented.

Consequent to the Foundation's adoption of PAS 19 (Revised) in the current year which resulted in retrospective restatement of the prior years' financial statements, the Foundation has presented a third statement of financial position as of January 1, 2012 without the related notes except for the disclosure requirements of PAS 8 as presented in Note 2.2 (a)(ii).

(b) Effective in 2013 but are not Relevant to the Foundation

The following amendments, annual improvements and interpretation to PFRS are mandatory for accounting periods beginning on or after January 1, 2013 but are not relevant to the Foundation's financial statements:

PPRS 1 (Amendment)	:	First-time Adoption of PFRS – Government Loans
PFRS 10	:	Consolidated Financial Statements
PFRS 11	:	Joint Arrangements
PFRS 12	:	Disclosure of Interests in Other Entities
PAS 27 (Revised)	:	Separate Financial Statements
PAS 28 (Revised)	:	Investments in Associates and Joint Ventures
PAS 34 (Amendment)	:	Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets Liabilities
PFRS 10, 11 and 12 (Amendments)	:	Amendments to PFRS 10, 11 and 12 Transition Guidance to PFRS 10, 11 Annual Improvements and 12
Annual Improvements (2009-2011 Cycle)		
PAS 34 (Amendment)	:	Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities
PFRS 1 (Amendment)	:	First-time Adoption of PFRS – Repeated Application of PFRS 1 and Borrowing Costs

Philippine Interpretations International Financial Reporting Interpretation Committee 20 : Stripping Costs in the Production Phase of a Surface Mine

(c) Effective Subsequent to 2013 but not Adopted Early

There are new PFRS, amendments, annual improvements and interpretation to existing standards that are effective for periods subsequent to 2013. Management has initially determined the following pronouncements, which the Foundation will apply in accordance with their transitional provisions, to be relevant to its financial statements:

(i) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2014). The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that a right of set-off is required to be legally enforceable, in the normal course of business; in the event of default; and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies the principle behind net settlement and provided characteristics of a gross settlement system that would satisfy the criterion for net settlement. The Foundation does not expect this amendment to have a significant impact on its financial statements.

(ii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets* (effective from January 1, 2014). The amendment clarifies that the requirements for the disclosure of information about the recoverable amount of assets or cash-generating units is limited only to the recoverable amount of impaired assets that is based on fair value less cost of disposal. It also introduces an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less cost of disposal is determined using a present value technique. Management will reflect in its subsequent years' financial statements the changes arising from this relief on disclosure requirements if the impact of the amendment will be applicable.

(iii) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* (effective from January 1, 2014). The amendment provides some relief from the requirements on hedge accounting by allowing entities to continue the use of hedge accounting when a derivative is novated to a clearing counterparty resulting in termination or expiration of the original hedging instrument as a consequence of laws and regulations, or the introduction thereof. As the Foundation neither enters into transactions involving derivative instruments nor it applies hedge accounting, the amendment will not have an impact on the financial statements.

(iv) PFRS 9, *Financial Instruments: Classification and Measurement.* This is the first part of a new standard on financial instruments that will replace PAS 39, *Financial Instruments: Recognition and Measurement*, in its entirety. The first phase of the standard was issued in November 2009 and October 2010 and contains new requirements and guidance for the classification, measurement and recognition of financial assets and financial liabilities. It requires financial assets to be classified into two measurement categories: amortized cost or fair value. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows that represent solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt instruments and equity instruments are measured at fair value. In addition, PFRS 9 allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to the liability's credit risk is recognized in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

In November 2013, the IASB has published amendments to International Financial Reporting Standard (IFRS) 9 that contain new chapter and model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. The amendment also now requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather in profit or loss. It also includes the removal of the January 1, 2015 mandatory effective date of IFRS 9.

To date, the remaining chapter of IFRS/PFRS 9 dealing with impairment methodology is still being completed. Further, the IASB is currently discussing some limited modifications to address certain application issues regarding classification of financial assets and to provide other considerations in determining business model.

The Foundation does not expect to implement and adopt PFRS 9 until its effective date. In addition, management is currently assessing the impact of PFRS 9 on the financial statements of the Foundation and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(v) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS, which are effective for annual period beginning on or after July 1, 2014. Among those improvements, the following amendments are relevant to the Foundation but management does not expect a material impact on the Foundation's financial statements:

Annual Improvements to PFRS (2010-2012 Cycle)

(a) PAS 16 (Amendment), *Property, Plant and Equipment.* The amendments clarifies that when an item of property, plant and equipment, is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

(b) PAS 24 (Amendment), *Related Party Disclosures.* The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also requires and clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the key management entity to its employees or directors.

(c) PFRS 13 (Amendment), *Fair Value Measurement.* The amendment, through a revision only in the basis of conclusion of PFRS 13, clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financial instruments, did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvements to PFRS (2011-2013 Cycle)

PFRS 13 (Amendment), *Fair Value Measurement.* The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of, and accounted for in accordance with, PAS 39 or PFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.

2.3 Financial Assets

Financial assets are recognized when the Foundation becomes a party to the contractual terms of the financial instruments. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss.

The Foundation's financial assets are categorized as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Foundation provides money, goods or services directly to a debtor with no intention of trading the receivables.

The Foundation's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Loans Receivable, Other Receivables and Rental Deposits in the statement of assets, liabilities and fund balance. Cash and cash equivalents includes cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is an objective evidence that the Foundation will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of General and Administrative Expenses account under the Operating Expenses secton in the statement of comprehensive income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured. All expenses relating to financial assets are recognized in profit or loss.

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred.

2.4 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Building	15 years
Office improvements	5 years
Equipment and vehicles	5 years
Furniture and fixtures	3 years

Office improvements are amortized over the estimated useful life of the improvements or the term of the lease, whichever is shorter.

The Foundation's property and equipment are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment loss for property and equipment is recognized for the amount by which the asset's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from such asset and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Foundation's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors determined reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Property and equipment is subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the recoverable amount of the property and equipment exceeds its carrying amount.

The residual values and estimated useful lives of property and equipment are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation and amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.5 Financial Liabilities

Financial liabilities, which include Capital Build-up (CBU) and Locked in Capital Build-up (LCBU), Loans payable and Other liabilities (excluding tax-related liabilities) are recognized when the Foundation becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liabilities are recognized as expense in profit or loss as part of Project Costs account.

Loans payable are raised for support of long-term funding of operations. This is recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Other liabilities, CBU and LCBU are initially recognized at their fair value and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are derecognized from the statement of assets, liabilities and fund balance only when the obligations are extinguished either through discharge, cancellation or expiration.

2.6 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Foundation that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Foundation can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.7 Revenue and Expense Recognition

Revenue comprises revenue earned related to rendering of services (i.e., extending loans) measured by reference to the fair value of consideration received or receivable by the Foundation for services provided, excluding any rebates.

Revenue is recognized to the extent that revenue can be reliably measured; it is probable that the economic benefits will flow to the Foundation; and the cost incurred or to be incurred can be reliably measured. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Service fees* – Revenue is recognized when the lending services are provided which is generally during the month when the loan is disbursed to members.

(b) *Interest* – Revenue is recognized as interest accrues taking into account the effective yield of the asset.

Costs and expenses are recognized in profit or loss upon utilization of the goods and/or services or at the date they are incurred. Any finance costs are reported in profit or loss on an accrual basis, except any borrowing costs that is related to a qualifying asset that is capitalized as part of the cost of the asset (see Note 2.10).

2.8 Leases – Foundation as Lessee

Lease, which do not transfer to the Foundation substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Foundation determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.9 Employee Benefits

The Foundation provides post-employment benefits to employees through a defined benefit plan, as well as various defined contribution plans, and other benefits as described below.

(a) Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Foundation, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Foundation's defined benefit pension plan covers all regular full-time employees.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of any plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows arising from expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds as published by the Philippine Dealing and Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Project Costs account in the statement of comprehensive income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment.

(b) *Defined Contribution Plans*

A defined contribution plan is a post-employment plan under which the Foundation pays fixed contributions into an independent entity (such as the Social Security System). The Foundation has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Foundation before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Foundation recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(d) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Other Liabilities account in the statement of financial position at the undiscounted amount that the Foundation expects to pay as a result of the unused entitlement.

2.10 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.11 Fund Balance

Grants and contributions represent the initial contribution received by the Foundation at the start of its operations.

Cumulative results of operations represent all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income.

Remeasurement of defined benefit post-employment plan pertains to the cumulative balance of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions used in the determination of defined benefit post-employment obligation

2.12 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Foundation and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Foundation; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Foundation that gives them significant influence over the Foundation and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.13 Events after the End of the Reporting Period

Any post-year-end event that provides additional information about the Foundation's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Foundation's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Foundation's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial estimates:

(a) Distinguishing Operating and Finance Leases

The Foundation has entered into various lease agreements as a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

Management has assessed that its existing lease agreements qualify as operating leases.

(b) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.6 and relevant disclosures are presented in Note 18.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Impairment of Loans and Other Receivables

Adequate amount of allowance is provided for specific and groups of accounts, where objective evidence of impairment exists. The Foundation evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Foundation's relationship with the members, the members' current credit status, average age of accounts, collection experience and historical loss experience.

The carrying value of loans and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 6.

(b) Estimating Useful Lives of Property and Equipment

The Foundation estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment are analyzed in Note 7. Based on management's assessment as at December 31, 2013 and 2012, there is no change in estimated useful lives of property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(c) Impairment of Property and Equipment

The Foundation's policy on estimating the impairment of property and equipment is discussed in detail in Note 2.4. Though management believes that the assumptions used in the estimation of fair values are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has assessed that there are no indications of impairment on the Foundations's property and equipment at the end of each reporting period, hence, no impairment losses are required to be recognized on those assets in both years.

(d) Valuation of Post-employment Defined Benefit

The determination of the Foundation's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit obligation as well as the analysis of the sensitivity of such obligation to the changes in significant assumptions are presented in Note 15.2.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Foundation is exposed to a variety of financial risks which result from its operating and financing activities. The Foundation's risk management is coordinated with its BOT, and focuses on actively securing the Foundation's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Foundation does not engage in the trading of financial assets for speculative purposes nor does it write options.

The most significant financial risks to which the Foundation is exposed to are described below.

4.1 Credit Risk

Credit risk is the risk that counterparty fails to discharge an obligation to the Foundation. The Foundation is exposed to this risk for financial instruments arising from granting loans and advances to members and employees, and placing deposits to various local banks.

The Foundation continuously monitors default of its members and other counterparties, identified individually or by group, and incorporate the information into its credit risk controls. The Foundation's policy is to deal only with creditworthy counterparties. In addition, loans and other receivables are secured by CBU and LCBU of members which can be applied against any amounts due in cases of default on loan payments.

Generally, the maximum credit exposure of financial assets is the carrying amount of the financial assets as shown in the statements of assets, liabilities and fund balance or in the detailed analysis provided in the notes to the financial statements, as summarized below.

	Notes	2013	2012
Cash and cash equivalents	5	**P 460,527,318**	P 205,997,611
Loans receivable - net	6	**2,480,867,727**	1,875,956,365
Other receivables	6	**58,379,319**	45,735,344
Rental deposits	18	**8,832,354**	6,404,589
		P 3,008,606,718	P2,134,093,909

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

Total past due loans amounting to P0.6 million for 164 members and P2.6 million for 694 members as of December 31, 2013 and 2012, respectively, have been fully provided with adequate amount of allowance for impairment.

In respect of loans receivable and other receivables, the Foundation is not exposed to any significant credit risk exposure to any single counterparty. Significant portion of the Foundation's loans receivable pertains to claims from various groups of members with similar characteristics. However, the Foundation has no experience of significant members' default and historical losses from those counterparties.

4.2 Liquidity Risk

The Foundation manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Foundation maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to consistently maintain an effective collection turn-over.

As at December 31, 2013, the Foundation's financial liabilities have contractual maturities which are presented below.

	Notes	Current	Non-current
CBU and LCBU	8	P 1,635,005,080	P -
Loans payable	9	239,393,403	70,147,000
Other liabilities	10	518,648,314	-
		P 2,393,046,797	P 70,147,000

This compares to the maturity of the Foundation's financial liabilities in the previous reporting period as follows:

	Notes	Current
CBU and LCBU	8	P1,202,239,770
Loans payable	9	241,221,223
Other liabilities	10	278,128,173
		P1,721,589,166

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

4.3 Categories and Fair Values of Financial Assets and Liabilities

The comparison of the carrying amounts and fair values of the categories of financial assets and liabilities presented in the statements of assets, liabilities and fund balance are shown below (amounts in thousands).

	Notes	2013 Carrying Values	2013 Fair Values	2012 Carrying Values	2012 Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	5	P 460,527	P 460,527	P 205,998	P 205,998
Loans receivable - net	6	2,480,868	2,480,868	1,875,956	1,875,956
Other receivables	6	58,379	58,379	45,735	45,735
Rental deposits	15	8,832	8,832	6,405	6,405
		P 3,008,606	P 3,008,606	P 2,134,094	P 2,134,094

	Notes	2013 Carrying Values	2013 Fair Values	2012 Carrying Values	2012 Fair Values
Financial Liabilities					
Financial liabilities at amortized cost:					
CBU and LCBU	8	P 1,635,005	P 1,635,005	P 1,202,240	P 1,202,240
Loans payable	9	298,500	298,500	227,298	227,298
Other liabilities	10	439,440	439,440	275,684	275,684
		P 2,372,945	P 2,372,945	P 1,705,222	P 1,705,222

Management considers that the carrying amount of the Foundation's financial assets and financial liabilities measured at amortized cost approximates the fair values.

4.4 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with gross amounts presented in the statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements (amounts in thousands):

		December 31, 2013			
	Notes	Gross amounts recognized in the statement of financial position	Related amounts not set off in the statement of financial position: Financial instruments	Collateral received	Net amount
Loans receivables	6,8,9	P 2,480,868	(P 1,861,005)	P -	P 619,863
Other receivables	6,10	58,379	(34,716)	-	23,663
Total		P 2,539,247	(P 1,895,721)	P -	P 643,526

		December 31, 2012			
	Notes	Gross amounts recognized in the statement of financial position	Related amounts not set off in the statement of financial position: Financial instruments	Collateral received	Net amount
Loans receivables	6,8,9	P 1,875,956	(P 1,391,538)	P -	P 484,418
Other receivables	6,10	45,735	(21,443)	-	24,292
Total		P 1,921,691	(P 1,412,981)	P -	P 508,710

The following financial liabilities with gross amounts presented in the statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements (amounts in thousands):

		December 31, 2013			
	Note	Gross amounts recognized in the statement of financial position	Related amounts not set off in the statement of financial position: Financial instruments	Collateral received	Net amount
Loans payable	9	P 298,500	(P 226,000)	P -	P 72,500

		December 31, 2012			
	Note	Gross amounts recognized in the statement of financial position	Related amounts not set off in the statement of financial position: Financial instruments	Collateral received	Net amount
Loans payable	9	P 227,298	(P 189,298)	P -	P 38,000

For the financial assets and liabilities (i.e., loans and other receivables and the related loans payable, CBU and LCBU balance and Staff CBU) subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Foundation and counterparties allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2013	2012
Cash on hand and in banks	P 460,527,318	P 170,997,611
Short-term placements	-	35,000,000
	P 460,527,318	P 205,997,611

Cash in banks generally earn interest at rates based on daily bank deposit rates. Short-term placements outstanding as of December 31, 2012 had term of 14 days and earned effective interest of 3.4% and 4.4% in 2012. These short-term placements were terminated in January 2013.

Interest earned from cash and cash equivalents amounted to P1.3 million and P3.6 million in 2013 and 2012, respectively, and is presented as part of Other Revenues in the statements of comprehensive income (see Note 11).

None of the Foundation's savings deposits were held as security for any of the Foundation's obligations in both years.

6. LOANS AND OTHER RECEIVABLES

These accounts include the following:

6.1 Loans Receivable

Loans receivable as at December 31 consist of:

	2013	2012
Loans receivable	P 3,137,833,900	P2,471,089,450
Unearned service charges	(409,282,683)	(322,316,015)
	2,728,551,217	2,148,773,435
Allowance for impairment	(247,683,490)	(272,817,070)
	P 2,480,867,727	P1,875,956,365

Loans receivable represent microfinance loans to the Foundation's members. These loans have terms of six months and are partially secured by the carrying amounts of CBU and LCBU of the members (see Note 8). These loans are subject to 15% service charges all throughout the six-month term. Service fees earned from these loans amounted to P1,259.9 million and P994.3 million in 2013 and 2012, respectively, and are shown as Service Fees in the statements of comprehensive income.

As of December 31, 2013 and 2012, the Foundation has 701,779 and 586,903 active members, respectively.

The Foundation's loans receivable have been reviewed for indications of impairment. Certain receivables were found to be impaired, hence, adequate amount of allowance for impairment has been recognized accordingly.

A reconciliation of the allowance for impairment at the beginning and end of 2013 and 2012 is shown below.

	Note	2013	2012
Balance at beginning of year		**P 272,817,070**	P 158,244,270
Impairment loss during the year	12	**-**	132,566,990
Write-off of receivables previously provided with allowance		**(25,133,580)**	(17,994,190)
Balance at end of year		**P 247,683,490**	P 272,817,070

Loans receivable written-off in 2013 and 2012 pertain to loans of 9,697 and 7,837 members, respectively.

Certain loans receivable of the Foundation amounting to P510.9 million and P348.9 million as of December 31, 2013 and 2012, respectively, are held as security to the Foundation's loans with local banks and other creditors (see Note 9).

6.2 Other Receivables

Other receivables consist of personal and mobility loans, and non-interest bearing advances granted to the Foundation's personnel with total carrying amount of P58.4 million and P45.7 million as of December 31, 2013 and 2012, respectively. Personal and mobility loans granted to employees are charged with service fee of 10% for six-month term in 2013 and 2012 (see Note 11).

The Foundation's other receivables have been reviewed for indications of impairment. No other receivables were found to be impaired as of December 31, 2013 and 2012 based on the assessment of management.

7. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2013 and 2012 are shown below.

	Building and Office Improvements	Furniture and Fixtures	Equipment and Vehicles	Total
December 31, 2013				
Cost	P 18,401,107	P 66,045,115	P 7,632,146	P 92,078,368
Accumulated depreciation and amortization	(9,443,552)	(40,818,398)	(4,639,818)	(54,901,768)
Net carrying amount	P 8,957,555	P 25,226,717	P 2,992,328	P 37,176,600
December 31, 2012				
Cost	P 18,401,107	P 46,089,288	P 7,600,146	P 72,090,541
Accumulated depreciation and amortization	(6,135,643)	(27,233,418)	(3,706,380)	(37,075,441)
Net carrying amount	P 12,265,464	P 18,855,870	P 3,893,766	P 35,015,100
January 1, 2012				
Cost	P 17,404,996	P 29,321,437	P 4,724,146	P 51,450,579
Accumulated depreciation and amortization	(4,244,796)	(17,611,747)	(2,894,036)	(24,750,579)
Net carrying amount	P 13,160,200	P 11,709,690	P 1,830,110	P 26,700,000

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2013 and 2012 is shown below.

	Building and Office Improvements	Furniture and Fixtures	Equipment and Vehicles	Total
Balance at January 1, 2013, net of accumulated depreciation and amortization	P 12,265,464	P 18,856,870	P 3,892,766	P 35,015,100
Additions	-	19,955,827	32,000	19,987,827
Depreciation and amortization charges for the year	(3,307,909)	(13,585,980)	(932,438)	(17,826,327)
Balance at December 31, 2013, net of accumulated depreciation and amortization	P 8,957,555	P 25,226,717	P 2,992,328	P 37,176,600
Balance at January 1, 2012, net of accumulated depreciation and amortization	P 13,160,200	P 11,709,690	P 1,830,110	P 26,700,000
Additions	996,111	16,767,851	2,876,000	20,639,962
Depreciation and amortization charges for the year	(1,890,847)	(9,621,671)	(812,344)	(12,324,862)
Balance at December 31, 2012, net of accumulated depreciation and amortization	P 12,265,464	P 18,855,870	P 3,893,766	P 35,015,100

The amount of depreciation and amortization is allocated and reported in the statements of comprehensive income as follows:

	Notes	2013	2012
Project costs	13	P 12,062,979	P 8,491,630
General and administrative	14	5,763,348	3,833,232
		P 17,826,327	P 12,324,862

8. CBU AND LCBU

This account is broken down as follows:

	Notes	2013	2012
CBU	6	P 1,365,706,870	P 1,010,311,850
LCBU	13	269,298,210	191,927,920
		P 1,635,005,080	P 1,202,239,770

CBU contributions will be offset against the outstanding loan balance in cases of default in loan payments of group members.

LCBU contributions are used as safeguard from risk of the group members' family. In case of death, the accumulated LCBU amount will be given to the nominated member of the family together with other benefits from the Foundation such as burial, hospitalization and calamity financial assistance.

As of December 31, 2013 and 2012, the Foundation had 701,779 and 586,903 members, respectively, who have CBU and LCBU contributions.

9. LOANS PAYABLE

This account includes outstanding balance of the borrowings from the following:

	2013	2012
Bank of the Philippine Islands (BPI)	P 80,000,000	P 30,000,000
Banco de Oro (BDO)	80,000,000	
Allied Banking Corporation (Allied Bank)	72,500,000	38,000,000
Standard Chartered Bank (SCB)	66,000,000	-
BPI Globe Banko	-	80,000,000
Citibank	-	47,000,000
Oxfam Novib	-	32,297,950
	P 298,500,000	P 227,297,950

On December 19, 2013 and June 9, 2012, the Foundation obtained a loan from BPI amounting to P80.0 million and P30.0 million payable on December 12, 2014 and June 14, 2013, respectively. The loans bear interest per annum of 4.5% in 2013 and 6.25% in 2012. The loan was secured through the assignment of some of the Foundation's loans receivable amounting to P194.9 million in 2013 and P99.3 million in 2012 (see Note 6.1).

On April 10, 2013 and December 20, 2013, the Foundation obtained loans from BDO amounting to P30.0 million and P50.0 million, respectively. The loans are payable in one year and bear interests of 4.3% and 4.5% which are payable monthly in arrears and subject to quarterly review. The loan is secured by assignment of certain receivables of the Foundation amounting to at least 3.31 times of the outstanding loans receivable balance amounting to P152.0 million (see Note 6.1).

On May 15, 2012 and September 1, 2011, the Foundation obtained an unsecured loan from Allied Bank amounting to P26.0 million and P30.0 million, respectively. The loans are payable in equal monthly payments of P1.0 million which will commence at the end of the third month from the date of loan availment. On September 6, 2013, the Foundation obtained an unsecured loan from Allied Bank amounting to P80.0 million which are payable monthly in arrears of P2.5 million which will commence at the end of the third month from the date of loan availment. The loan bears interest of 5.0% per annum. The balance of the loans as of December 31, 2013 and 2012 are P72.5 million and P38.0 million, respectively.

On July 17, 2013, the Foundation obtained an unsecured loan from SCB amounting to P80.0 million which is payable in quarterly payments. The loan bears interest of 6.0% per annum. The proceeds of the loan were used to provide microfinance loans to members in accordance with the Foundation's microfinance program. The balance of the loans as of December 31, 2013 is P66.0 million. The loan is secured by assignment of certain receivables of the Foundation amounting to P164.0 million (see Note 6.1).

On July 26, 2010 and September 9, 2010, the Foundation obtained loans from BPI Globe Banko amounting to P50.0 million and P30.0 million, respectively. The loans are payable in one year and bear interests based on the prevailing market rates which are payable monthly in arrears and subject to quarterly review. The loan is secured by assignment of certain receivables of the Foundation amounting to at least 3.31 times of the outstanding loans receivable balance (see Note 6.1). On August 29, 2012, the Foundation renewed the P80.0 million loan for another year which was also fully paid in 2013.

On February 23, 2011, the Foundation obtained a loan from Citibank amounting to P47.0 million. The loan has a term of two years until its maturity on February 23, 2013. The interest rate is based on a three-month Philippine Dealing System Treasury-Fixing rate plus 335 basis points subject to quarterly repricing. The proceeds of the loan were used to provide microfinance loans to members in accordance with the Foundation's microfinance program. The loan is secured by assignment of certain loans receivable covering 2.22 times of the loan facility amounting to P104.4 million in its peso equivalent (see Note 6.1).

On April 16, 2010, the Foundation obtained a loan from Oxfam Novib amounting to European Union (EU) euro 535,000 or its equivalent peso amount of P32.3 million. The loan has term of three years until its maturity on April 15, 2013 and bears an annual fixed interest of 8.65%. As indicated in the loan agreement with Oxfam Novib, the Foundation will repay the loan at maturity equivalent to the peso amount at the date of availment. The loan agreement with Oxam Novib prohibits the Foundation to sell, dispose and pledge the Foundation's loans receivable portfolio without the former's written approval and in no case shall the approved pledged amount exceed 25% of the Foundation's loan portfolio.

As of December 31, 2013 and 2012, the Foundation is compliant with all the security requirements and covenants imposed by the respective creditor.

Interest expense on interest-bearing loans amounted to P11.1 million and P14.5 million in 2013 and 2012, respectively, and is presented part of Finance Costs under Project Costs in the statements of comprehensive income (see Note 13).

The maturity profile of these loans is presented below.

	2013	2012
Within one year	**P 232,500,000**	P 227,297,950
One to two years	**66,000,000**	-
	P 298,500,000	P 227,297,950

10. OTHER LIABILITIES

This account includes the following:

	Note	**2013**	2012
Beneficiary program and support trust fund (BPSTF)		**P 203,890,600**	P 117,786,300
Accrued expenses	20.1*(h)*	**141,430,575**	51,352,567
Staff cash bond		**67,578,900**	47,068,900
Staff benevolent fund		**62,687,500**	33,639,560
Staff CBU		**34,716,120**	21,442,800
Accounts payable		**8,344,619**	6,838,046
		P 518,648,314	P 278,128,173

BPSTF represents 0.5% of the principal amount of loan released to each member. This is used to cover the loan in case of death of a member, provide assistance in cases of fire, and cover losses in case of robbery and hold-up of collection from members. Effective on January 1, 2012, a new policy was implemented by the Foundation requiring each new group member to contribute P30 as group members' contribution. The contributions will form part of the BPSTF as additional fund for health-care program, scholarship to the children of the members, and provision for distribution of relief goods and other livelihood support intervention in time of calamities such as typhoons, fires, earthquakes and floods.

Accrued expenses include accruals for various expenses for the operations of the Foundation such as taxes and licenses, light and reimbursable expenses, travel, and repairs and maintenance.

Staff cash bond represents refundable security deposits made by employees. Staff benevolent fund includes amounts set aside for employee hospitalization, employee death aid, and employee welfare and benefits.

Staff CBU refers to mandatory contributions of the Foundation's employees to safeguard the risk from personnel and motorcycle advances.

11. OTHER REVENUES

This account includes the following:

	Notes	2013	2012
Service charges on employee loans	6.2	**P 6,106,852**	P 4,925,998
Interest income on bank deposits	5	**1,281,358**	3,632,026
Gain from recovery of written-off accounts		**601,940**	294,700
		P 7,990,150	P 8,852,724

Service charges on employee loans pertain to 10% service fees earned from personal and motorcycle advances granted by the Foundation to its personnel (see Note 6.2).

12. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below:

	Notes	2013	2012 (As Restated – see Note 2)
Employee benefits	15.1	**P 573,800,775**	P 419,466,123
Taxes and licenses	20.1*(f)*	**175,646,513**	6,163,744
Travel and transportation		**158,991,147**	93,439,679
Repairs and maintenance		**84,605,356**	55,654,757
Office rental	18	**53,121,623**	40,694,814
Office supplies and reproduction		**23,531,930**	32,132,749
Staff development and conference		**22,048,167**	20,547,701
Depreciation and amortization	7	**17,826,327**	12,324,862
Finance costs	9,15.2	**14,095,045**	16,186,345
Light and water		**10,452,399**	7,469,575
Grants and donations		**6,616,000**	7,245,455
Professional fees		**4,561,014**	3,284,521
Postage and telephone		**3,649,265**	3,190,710
Postage and telephone		**2,775,500**	2,016,056
Impairment loss	6.1	**-**	132,566,990
LCBU benefits	8	**-**	31,075,600
Miscellaneous		**10,482,542**	7,994,279
		P 1,162,203,603	P 891,453,960

These expenses are classified and reported in the statements of comprehensive income as follows.

	Notes	2013	2012 (As Restated – see Note 2)
Project costs	13	**P 827,297,991**	P 771,844,553
General and administrative expenses	14	**334,905,612**	119,609,407
		P1,162,203,603	P 891,453,960

13. PROJECT COSTS

This account includes the following:

	Notes	2013	2012 (As Restated – see Note 2)
Employee benefits	15.1	**P 478,959,702**	P 354,441,481
Travel and transportation		**135,556,633**	78,287,372
Repairs and maintenance		**71,236,681**	51,252,146
Office rental	18	**49,485,037**	35,518,525
Office supplies and reproduction		**22,500,149**	29,438,942
Staff development and conference		**15,898,021**	14,628,986
Finance costs	9,15.2	**14,095,045**	16,186,345
Depreciation and amortization	7	**12,062,979**	8,491,630
Light and water		**10,452,399**	7,469,575
Taxes and licenses	20.1*(f)*	**7,531,625**	5,143,293
Postage and telephone		**2,775,500**	2,016,056
Impairment loss	6.1	**-**	132,566,990
LCBU benefits	8	**-**	31,075,600
Miscellaneous		**6,744,220**	5,327,612
		P 827,297,991	P 771,844,553

On January 7, 2013, the Foundation issued Administrative Order No. 001-13 regarding the recording and treatment of LCBU benefits. In accordance with this new policy, LCBU benefits are treated as deductions from service charges (see Note 6) earned and collected by the Foundation from its loan receivables.

14. GENERAL AND ADMINISTRATIVE EXPENSES

The details of general and administrative expenses are shown below.

	Notes	2013	2012
Taxes and licenses	20.1(*f*)	**P 168,114,888**	P 1,020,451
Employee benefits	15.1	**94,841,073**	65,024,642
Travel and transportation		**23,434,514**	15,152,307
Repairs and maintenance		**13,368,675**	4,402,611
Grants and donations		**6,616,000**	7,245,455
Staff development and conference		**6,150,146**	5,918,715
Depreciation and amortization	7	**5,763,348**	3,833,232
Professional fees		**4,561,014**	3,284,521
Postage and telephone		**3,649,265**	3,190,710
Office rental	18	**3,636,586**	5,176,289
Office supplies and reproduction		**1,031,781**	2,693,807
Miscellaneous		**3,738,322**	2,666,667
		P 334,905,612	P 119,609,407

15. EMPLOYEE BENEFITS

15.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and other employee benefits are presented below.

	Note	2013	2012 (As Restated – see Note 2)
Salaries and wages		**P 479,447,428**	P 357,044,810
SSS, HDMF, Philhealth contributions		**37,621,280**	26,018,977
Staff benevolent fund		**32,948,600**	13,741,040
Post-employment benefits	15.2	**23,783,467**	22,661,296
		P 573,800,775	P 419,466,123

The amounts of employee benefits are allocated and reported in the statements of comprehensive income as follows:

	Notes	2013	2012 (As Restated – see Note 2)
Project costs	12	**P 478,959,702**	P 354,441,481
General and administrative	13	**94,841,073**	65,024,642
		P 573,800,775	P 419,466,123

15.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Foundation maintains an unfunded and noncontributory post-employment defined benefit plan covering all regular full-time employees. It accrues the estimated cost of retirement benefits required by the provisions of Republic Act (RA) No. 7641, *The Retirement Pay Law*. Under RA No. 7641, the Foundation is required to provide minimum retirement benefits to qualified employees but the Foundation is not require to make funding of such benefit.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the post-employment benefit costs and obligation. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2013 including the comparative year which has been restated in line with the adoption of PAS 19 (Revised), see Note 2.2(a)(ii).

Post-employment defined benefit obligation recognized in the statements of financial position amounted to P85.3 million and P52.9 million (as restated – see Note 2) as of December 31, 2013 and 2012, respectively.

The movements in the present value of post-employment defined benefit obligation recognized in the financial statements are presented below.

	2013	2012 (As Restated – see Note 2)
Balance at beginning of year	P 52,933,000	P 26,096,000
Current service cost	23,783,467	22,661,296
Interest expense	2,974,833	1,641,404
Remeasurements - actuarial losses (gains) arising from:		
Changes in financial assumptions	3,512,245	11,292,846
Experience adjustments	2,402,755	(8,539,846)
Benefits paid	(288,300)	(218,700)
Balance at end of year	P 85,318,000	P 52,933,000

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	2013	2012 (As Restated – see Note 2)
Reported in profit or loss:		
Current service cost	P 23,783,467	P 22,661,296
Interest expense	2,974,833	1,641,404
	P 26,758,300	P 24,302,700

	2013	2012 (As Restated – see Note 2)
Reported in other comprehensive income:		
Actuarial losses arising from changes in		
Financial assumptions	P 3,512,245	P 11,292,846
Experience adjustments	2,402,755	(8,539,846)
	P 5,915,000	P 2,753,000

Current service cost is allocated and presented in the statements of comprehensive income under the following accounts:

	2013	2012 (As Restated – see Note 2)
Project costs	P 19,910,160	P 19,399,039
General and administrative	3,873,307	3,262,257
	P 23,783,467	P 22,661,296

The interest expense on the obligation is included as part of Finance Costs under the Project Costs account in the statements of comprehensive income (see Note 13).

Amounts recognized in other comprehensive income were included within item that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2013	2012
Discount rates	5.3%	5.6%
Expected rate of salary increases	12.0%	12.0%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 25.2 for males and 24.6 for females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Other information

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the retirement plan are described below.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2013:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/- 1.1%	(P 7,706,032)	P 8,622,523
Salary growth rate	+/- 0.6%	7,178,706	(6,629,730)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation at the end of the reporting period has been calculated using the projected unit credit method, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

(ii) Funding Arrangements and Expected Contribution

At the end of the reporting period, the Foundation has no formal plan of funding its defined benefit post-employment obligation yet. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 12 years' time when a significant number of employees is expected to retire.

The maturity profile of undiscounted expected benefit payments from the plan follows:

Within one year	P -
More than one year to five years	4,109,414
	P 4,109,414

The weighted average duration of the defined benefit obligation at the end of the reporting period is 12 years.

16. RELATED PARTY TRANSACTIONS

The Foundation's related party includes its key management personnel. The compensation given to key management personnel in the form of short-term benefits amounted to P40.0 million in 2013 and P38.5 million in 2012.

17. INCOME TAX AND INCOME TAX EXEMPTION

The Foundation is a nonstock, nonprofit corporation and the primary purpose of which is one of those enumerated in Section 30 of the Tax Reform Act of 1997 (RA No. 8424). Moreover, no part of the excess of revenues over expenses of the Foundation inures to the benefit of any of its members. The trustees do not receive any compensation. In case of dissolution, the assets of the Foundation shall be transferred to a similar institution or to the government. Hence, the Foundation is exempt from income taxes. However, income derived by the Foundation from its properties, real or personal, or from any of its activities not covered by the exemption or activities conducted for profit regardless of the disposition made of such income, is subject to tax.

18. COMMITMENTS AND CONTINGENCIES

18.1 Operating Lease Commitments – Foundation as Lessee

The Foundation has operating lease agreements covering the office spaces occupied by the Foundation and its branches for a period of six months to two years. The lease agreements require the Foundation to pay rental deposits. Outstanding rental deposits as of December 31, 2013 and 2012 amounted to P8.8 million and P6.4 million, respectively, and are shown as Rental Deposits in the statements of assets, liabilities and fund balance.

The future minimum lease payments under these non-cancellable operating leases are as follows as of December 31.

	2013	2012
Within one year	**P 38,419,841**	P 35,181,360
After one year but not more than five years	**6,495,850**	6,590,400
	P 44,951,691	P 41,771,760

Rent expense recognized related to these operating leases amounted to P53.1 million in 2013 and P40.7 million in 2012, which are allocated to both Project Costs and General and Administrative Expenses (see Notes 12, 13 and 14).

18.2 Others

There are commitments and contingencies that arise in the normal course of the Foundation's operations which are not reflected in the financial statements. As of December 31, 2013, management is of the opinion that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the Foundation's financial statements.

19. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Foundation's capital management objectives are to generate funds to expand its microfinance operations by pricing services commensurately with the level of risk and to ensure the Foundation's ability to continue as a going concern.

The Foundation monitors capital on the basis of the carrying amount of the fund balance as presented in the statements of assets, liabilities, and fund balance.

The Foundation sets the amount of capital in proportion to its overall financing structure, i.e., fund balance and loans from third parties. The Foundation manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

	2013	2012
Total loans from third parties	**P 298,500,000**	P 227,297,950
Total fund balance	**508,311,924**	408,510,116
Debt-to-fund ratio	**0.59:1:00**	0.56:1:00

The Foundation has satisfactorily complied with its covenant obligations related to its interest-bearing loans as of the end of each reporting period.

20. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under its existing revenue regulations to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS. All information are presented in their absolute amounts.

20.1 Requirements under Revenue Regulations (RR) 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR 15-2010 are as follows:

(a) Output Value-added Tax (VAT)

The Foundation has not incurred any output tax liability for the year ended December 31, 2013 as it has no sales transactions subject to VAT (see Note 17).

(b) Input VAT

The Foundation did not recognize any input VAT. It records as expense all input VAT on purchases of goods and services since it would not be recovered from setting-off with any output tax liability in the future.

(c) Documentary Stamp Tax

The Foundation paid and accrued documentary stamp tax (DST) in 2013 amounting to P1,413,934 which is related to the several loans originated during the year.

(d) Taxes on Importation

The Foundation did not incur or pay any customs' duties and tariff fees as it did not have any importation for the year ended December 31, 2013.

(e) Excise Tax

The Foundation did not have any transactions in 2013 which are subject to excise tax.

(f) Taxes and Licenses

The details of Taxes and Licenses account in 2013 are shown below.

BIR assessment	P 167,651,899
Licenses and permits	6,318,488
DST	1,413,934
Real estate taxes	185,415
Miscellaneous	76,777
	P 175,646,513

The amounts of taxes and licenses are allocated and presented in the 2013 statement of comprehensive income as follows (see Notes 13 and 14):

Project costs	P 7,531,625
General and administrative expenses	168,114,888
	P 175,646,513

(g) Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2013 are shown below.

Compensation and employee benefits	P 16,198,034
Expanded	161,076
Final	145,925
	P 16,505,035

(h) Deficiency Tax Assessment and Tax Cases

In 2013, the Foundation received Final Assessment Notices from the BIR for deficiency taxes pertaining to the taxable years 2010, 2011 and 2012. The assessments pertain to alleged deficiency on income tax, gross receipts tax, withholding taxes and DST. In 2013, the Foundation has settled, under protest, the deficiency taxes for the 2010 and 2011 taxable years recorded under Taxes and Licenses account. On the other hand, the final deficiency taxes for 2012 amounting to P74,029,317 were paid, also under protest, in January 2014, hence, amounts were accrued and included as part of Accrued expenses under Other Liabilities account in the 2013 statement of assets, liabilities and fund balance.

20.2 Requirements under RR 19-2011

RR 19-2011 requires schedules of taxable revenues and other non-operating income, costs of sales and services, itemized deductions and other significant tax information, to be disclosed in the notes to financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below are based on relevant tax regulations issued by the BIR, hence, may not be the same as the amounts reflected in the 2013 statement of comprehensive income.

(a) Exempt Revenues

The Foundation's exempt revenues for the year ended December 31, 2013 amounted to P1,259,930,261 pertaining to service fees collected from borrowers.

(b) Exempt Non-operating and Other Income

The composition of the Foundation's exempt non-operating and other income for the year ended December 31, 2013 is presented below.

Service charges on employee loans	P	6,106,852
Gain from recovery of written-off accounts		601,940
	P	6,708,792

(c) Itemized Deductions

The details of the Foundation's itemized deductions under exempt transactions for the year ended December 31, 2013 are as follows:

Employee benefits	P 522,305,608
Travel and transportation	158,991,147
Repairs and maintenance	84,605,356
Office rental	53,121,623
Taxes and licenses	44,111,291
Office supplies and reproduction	23,531,930
Staff development and conference	22,048,167
Depreciation and amortization	17,826,327
Light and water	10,681,011
Interest on borrowed funds	10,591,652
Grants and donations	6,616,000
Postage and telephone	6,424,765
Professional fees	4,561,014
Entertainment, amusement and recreation	973,642
Miscellaneous	9,280,288
	P 975,669,821

Punongbayan & Araullo

An instinct for growth™

Report of Independent Auditors to Accompany Schedule of Philippine Financial Reporting Standard Filed Separately from the Basic Financial Statements

19th and 20th Floors, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288
F +63 2 886 5506
www.punongbayan-araullo.com

The Board of Trustees
ASA Philippines Foundation, Inc.
(A Nonstock, Nonprofit Organization)
Unit 509 Prestige Tower, F. Ortigas Jr. Street
Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of ASA Philippines Foundation, Inc. for the year ended December 31, 2013, on which we have rendered our report dated March 19, 2014. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2013, is presented for purposes of additional analysis in compliance with the requirement under the Securities Regulation Code Rule 68, and is not a required part of the basic financial statements in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Nelson J. Dinio**
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 4225008, January 2, 2014, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-1 (until Aug. 21, 2016)
Firm - No. 0002-FR-3 (until Jan. 18, 2015)
BIR AN 08-002511-32-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

March 19, 2014

ASA Philippines Foundation, Inc.
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters**	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters**	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters**	✓		
	Amendment to PFRS 1: Government Loans**	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *(deferred application)*			✓
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments			✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendment to PFRS 10: Transition Guidance			✓
	Amendment to PFRS 10: Investment Entities			✓
PFRS 11	Joint Arrangements			✓
	Amendment to PFRS 11: Transition Guidance			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendment to PFRS 12: Transition Guidance			✓
	Amendment to PFRS 12: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation**	✓		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets**	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendment to PAS 27: Investment Entities			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation**	✓		
	Amendment to PAS 32: Classification of Rights Issues**	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities* *(effective January 1, 2014)*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets* *(effective January 1, 2014)*			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions**	✓		
	Amendments to PAS 39: The Fair Value Option**	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts**	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items**	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting* *(effective January 1, 2014)*			✓
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

* These standards will be effective for periods subsequent to 2013 and are not early adopted by the Foundation.

** These standards have been adopted in the preparation of financial statements but the Foundation has no significant transactions covered in both years presented.